

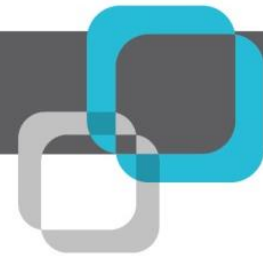
# International Payroll Administration

Solutions for Improving Global Service Delivery



Smart. Focused. Done Right.





*This article is the first of a four-part series that will delve into the world of international payroll administration, covering the solution landscape, stakeholders, transition planning, and international implementation management.*

## INTRODUCTION

Managing payroll for employees is one of the most routine and regular of administrative processes, but it also has the propensity to be one of the most complex, depending upon the size and global presence of the enterprise. Payroll is a key driver of employee confidence and satisfaction in an organization. When an employee's paycheck is incorrect, it is a sensitive and immediate problem to solve.

For multinational companies that have employees across the globe, payroll administration is extremely complex and must be compliant with local regulations. As companies look to improve service delivery in global payroll, they must be aware of the global payroll landscape. In this article, you can learn about the current market in global payroll, pros and cons to various solutions, and insight into the decision-making process.

## VENDORS AND SOLUTIONS

Payroll administration solutions typically fall into one of the following categories:

- Fully outsourced or managed service, integrated with ERP
- Partially outsourced with one vendor or multiple vendors, integrated with ERP
- Business process as a service, where a provider gives access to a company to use the payroll platform for in-house execution
- In-house or home grown solution, which includes a company running its own ERP or internal payroll system to administer payroll

A 2013 survey<sup>1</sup> showed that most multinational survey respondents did not have confidence that one vendor could meet all of their payroll needs, and only 12% of the 161 respondents used a fully outsourced model with a single provider. The majority (60%) of respondents had a hybrid model, while 28% relied on their own in-house model.

In a report in 2012, Webster Buchanan Research<sup>2</sup> noted the trend to tackle multi-country payroll in a regional approach, stating that companies with a mature global payroll footprint most commonly had a hybrid approach, counting on vendors with proven execution ability.

<sup>1</sup> Ernst & Young, April 2013. Global Payroll: Myth or Reality

<sup>2</sup> Webster Buchanan Research, February 2012. From performance management to service delivery: the changing shape of multi-country payroll

The reason why a fully outsourced service with a single vendor is rare is due to the intricacies that multi-country payroll presents. The vendor must be able to manage differences in language, compliance in HR administration and records management, tax withholdings, disbursements, third-party payments, and reporting to employees, management, and regulators. Some of these issues can be mitigated through a regional organization of providers; however, there are still a few providers that can offer the expertise and level of services across the many international jurisdictions which are required in the scope of today's multinational businesses.

There are several global payroll providers in the marketplace today that can offer standard payroll administration to a multinational company. These providers vary from large, well-known names like ADP, Ceridian, and Northgate Arinso Human Resources to newer challenger firms like SafeGuard World International, CloudPay, and Celergo. Gartner has produced a Magic Quadrant for Payroll BPO Services<sup>3</sup> to compare various global payroll providers across consistent ratings. The greatest number of providers falls into the space where “ability to execute” is increasing, but “completeness of vision” is still an area of growth, thus confirming the position that it can be difficult to find a vendor to meet all needs for a payroll solution.



<sup>3</sup> Gartner, July 2014. Magic Quadrant for Payroll BPO Services

## PROS AND CONS

When considering a change to the payroll administration process, a company should consider benefits and risks that are specific to the business and employee population. These will also be shaped by the reasons that a company is considering the change. In our experience, the qualities listed below are the key pros and cons of the various solution models.

Type of Solution	Pros	Cons
Fully outsourced, managed solution by one vendor	<ul style="list-style-type: none"> <li>• Best outsourcing model for standardization</li> <li>• Reduces execution risk</li> <li>• Reduces costs associated with headcount and administration</li> <li>• Allows for consolidated management reporting</li> <li>• Simplifies contract management</li> <li>• Provides access to support model and integrated service offerings</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to accommodate special employee or policy situations</li> <li>• Maintenance of expertise across all geographies is challenging</li> <li>• Provides vendor reporting options that are consolidated, but may be limited or standard</li> </ul>
Outsource part of global footprint with one or multiple vendors	<ul style="list-style-type: none"> <li>• Reduces execution risk</li> <li>• Provides a level of expertise in desired regions or geographies</li> <li>• Provides access to support model and integrated service offerings</li> </ul>	<ul style="list-style-type: none"> <li>• Requires system integration between solutions</li> <li>• Requires additional effort to consolidate reporting</li> <li>• Increases contract management complexity</li> </ul>
Business process as a solution	<ul style="list-style-type: none"> <li>• Offers more execution flexibility</li> <li>• Provides system and technical support</li> <li>• In-house expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Requires dedicated staff with specialized payroll knowledge</li> <li>• Usually applicable to a limited geography</li> </ul>
In-house, home grown	<ul style="list-style-type: none"> <li>• Offers most flexibility in execution</li> <li>• Fits specific employee types, policies, and practices with the right investment</li> <li>• Can be easy to change configuration depending on IT environment</li> <li>• In-house expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Higher burden of compliance risk in multiple countries</li> <li>• Difficult to scale and replicate</li> <li>• Requires country-specific knowledge of requirements which can decrease corporate control</li> <li>• Usually applicable to one country/geography</li> <li>• Requires dedicated headcount for time-consuming and administrative work</li> </ul>

## DECISION-MAKING PROCESS

To arrive at the right solution for your organization, ScottMadden recommends that decision makers conduct a planning phase and spend time considering and agreeing on the primary drivers for a change to how global payroll is administered. The drivers can differ across departments and stakeholders. Common drivers for change in payroll administration are cost, control, service, governance, process standardization, and reporting. Once the key drivers are determined, these should become the criteria against which a decision is evaluated, with clear definition of what each driver means and how it should be measured.

Changing service delivery of global payroll administration should be outlined with a case for change. This position should provide stakeholders and decision makers with clear parameters on cost, scope, time frame, and expected benefits the organization will achieve on the process implementation.

Once the planning period for the change is complete, the vendor evaluation phase should begin with a RFI and/or RFP process, which sets out to evaluate a number of vendors across consistent and rigorous criteria.

Despite the complexity inherent in the process of global payroll administration, there are solutions that enable a multinational company to get it right. ScottMadden advises that with a comprehensive-planning phase, case for change, and vendor selection process, a company will be well on its way to realizing the benefits it is seeking.

## ABOUT SCOTTMADDEN'S CORPORATE & SHARED SERVICES PRACTICE

ScottMadden has been a pioneer in corporate and shared services since the practice began decades ago. Our Corporate & Shared Services practice has completed more than 1,100 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients span a variety of industries from entertainment to energy to high tech. Examples of our projects include business case development, shared services design, and shared services build support and implementation.

## ABOUT THE AUTHORS

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